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EXAMINER

CHANDLER, SARA M

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte STEVEN M. BLOOM,
MICHAEL S. SPECTOR, and
JOHN L. JACOBS

Appeal 2009-011005
Application 10/077,182
Technology Center 3600

Decided: February 3, 2010

Before HUBERT C. LORIN, ANTON W. FETTING, and
BIBHU R. MOHANTY, *Administrative Patent Judges*.

LORIN, *Administrative Patent Judge*.

DECISION ON APPEAL

An oral hearing was held on Jan. 7, 2010.

STATEMENT OF THE CASE

Steven M. Bloom, et al. (Appellants) seek our review under 35 U.S.C. § 134 (2002) of the final rejection of claims 1-20. We have jurisdiction under 35 U.S.C. § 6(b) (2002).

SUMMARY OF DECISION

We AFFIRM-IN-PART.¹

THE INVENTION

The invention “relates to arbitragable trading tracking stocks and the like.” Specification 1:9.

Claim 1, reproduced below, is illustrative of the subject matter on appeal.

1. A method of producing shares in a financial product, which are traded on a first marketplace, the method executed on a computer, the method comprising
recording by the computer, exchange between a market participant and an agent of a creation unit basket of securities for a first fund for a prescribed number of shares in the first fund, the shares in the first fund trading in a first country, and the creation unit basket of securities having a creation unit basis that is substantially the same as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country; and

¹ Our decision will make reference to the Appellants’ Appeal Brief (“App. Br.,” filed Jan. 29, 2009) and Reply Brief (“Reply Br.,” filed May 5, 2009), and the Examiner’s Answer (“Answer,” mailed Apr. 2, 2009).

recording by the computer, delivery by either the agent or the market participant a number of shares in the second fund or in other securities to account for a cash amount owed between the agent and the market participant as a result of the exchange of the creation unit basket of securities for the shares in the first fund.

THE REJECTIONS

The Examiner relies upon the following as evidence of unpatentability:

Gastineau US 2001/0025266 A1 Sep. 27,2001

Stuart M. Strauss, *Exchange traded funds - the wave of the future?*,
The Investment Lawyer, Englewood Cliffs, Apr. 2000, vol. 7, iss. 4.
(Strauss)

The following rejections, as reproduced from the Answer, are before us for review²:

1. Claims 1-12 are provisionally rejected under the judicially created doctrine of obviousness-type double patenting as being unpatentable over claims 1-12 of copending application 10/001,900.
2. Claims 1-20 are rejected under 35 U.S.C. §112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicants regard as the invention.
3. Claims 1-20 are rejected under 35 U.S.C. §103(a) as being unpatentable over Gastineau and Strauss.

² The Examiner has withdrawn a prior rejection of claims 1, 7 and 19 under §101 as being directed to nonstatutory subject matter. Answer 3.

ISSUES

The issues are whether claims 1-20 are indefinite under 35 U.S.C. §112, second paragraph, and obvious under 35 U.S.C. §103(a) over Gastineau and Strauss.

FINDINGS OF FACT

We rely on the Examiner's factual findings stated in the Answer (Ans. 7-20).

PRINCIPLES OF LAW

Definiteness

The test for compliance is “whether the claims [] set out and circumscribe a particular area with a reasonable degree of precision and particularity”, when read in light of the application disclosure as they would be interpreted by one of ordinary skill in the art. *In re Moore*, 439 F.2d 1232, 1235 (CCPA 1971).

Obviousness

Section 103 forbids issuance of a patent when ‘the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.’

KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, and (3) the level of skill in the art. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966). *See also KSR*, 550 U.S. at 407 (“While the sequence of these questions might be

reordered in any particular case, the [*Graham*] factors continue to define the inquiry that controls.”) The Court in *Graham* further noted that evidence of secondary considerations “might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.” *Graham*, 383 U.S. at 17-18.

ANALYSIS

The obviousness-type double patent rejections.

The rejection of the claim under the judicially created doctrine of obviousness-type double patenting is nowhere mentioned in the briefs. Because the Appellants have not addressed them, the Examiner’s obviousness-type double patenting rejection has not been shown to be in error and is accordingly summarily affirmed.

The rejection of claims 1-20 under 35 U.S.C. §112, second paragraph.

The Examiner has advanced several reasons why the claims are indefinite under the second paragraph of §112. The difficulty with all these reasons is that they are not rooted in a claim construction analysis.

The “distinctly claiming” requirement means that the claims must have a clear and definite meaning when construed in the light of the complete patent document. *Standard Oil Co. v. American Cyanamid Co.*, 774 F.2d 448, 452, 227 USPQ 293, 296 (Fed. Cir. 1985). Section 112 thus ensures definiteness of claim language. *See In re Zletz*, [893 F.2d] 319, 322, 13 USPQ2d 1320, 1322 (Fed. Cir. 1989). The test for definiteness is whether one skilled in the art would understand the bounds of the claim when read in light of the specification. *Orthokinetics*, 806 F.2d at 1576. If the claims read in light of the specification reasonably apprise those skilled in the art of the scope of the invention, Section 112 demands no more. *Hybritech*, 802 F.2d at 1385. The degree of precision necessary for adequate claims is a function of the nature of the subject matter. *Id.*”

Miles Labs. Inc. v. Shandon Inc., 997 F.2d 870, 875-876 (Fed. Cir. 1993).

The question is: do the claims read in light of the specification reasonably apprise those skilled in the art of the scope of the invention? Answering that question “requires a construction of the claims according to the familiar canons of claim construction. Only after a thorough attempt to understand the meaning of a claim has failed to resolve material ambiguities can one conclude that the claim is invalid for indefiniteness.” *All Dental Prodx LLC v. Advantage Dental Prods. Inc.*, 309 F.3d 774, 780-1 (Fed. Cir. 2002). This is so because

[t]he requirement to “distinctly” claim means that the claim must have a meaning discernible to one of ordinary skill in the art when construed according to correct principles. *Union Pac. Res. Co. v. Chesapeake Energy Corp.*, 236 F.3d 684, 692 (Fed. Cir. 2001); *Rosemount, Inc. v. Beckman Instruments, Inc.*, 727 F.2d 1540, 1547 (Fed. Cir. 1984). Only when a claim remains insolubly ambiguous without discernible meaning after all reasonable attempts at construction must a court declare it indefinite. *Exxon Research & Eng'g Co. v. United States*, 265 F.3d 1371, 1375 (Fed. Cir. 2001).

Metabolite Labs. Inc. v. Laboratory Corp. of Am. Holdings, 370 F.3d 1354, 1366 (Fed. Cir. 2004).

The Examiner states that certain claims are “conclusory without identifying the process necessary to arrive at the conclusion” (Answer 7). However, “[t]he purpose of claims is not to explain the technology or how it works, but to state the legal boundaries of the patent grant. A claim is not “indefinite” simply because it is hard to understand when viewed without benefit of the specification.” *S3 Inc. v. nVIDIA Corp.*, 259 F.3d 1364, 1369 (Fed. Cir. 2001).

The Examiner states that certain claims “make reference to intended use/intended results without giving any life or meaning to these statements

in the claims.” Answer 7-8. However, references to an intended use in a claim do not necessarily cause a claim as a whole to be indefinite. Rather, they raise questions about the patentable weight they should be accorded during patentability determinations of the claim as a whole. For example, “[i]t is well settled that the recitation of a new intended use for an old product does not make a claim to that old product patentable.” *In re Schreiber*, 128 F.3d 1473, 1477 (Fed. Cir. 1997).

The Examiner states that certain dependent claims “rely on certain steps and or elements that fail to occur in the independent claims” (Answer 8). The Examiner finds for example that certain dependent claims require a calculation of net asset value which the Examiner could not find in the independent claims. Answer 8. If we understand the Examiner correctly, the Examiner is concerned about proper antecedence for certain steps recited in the dependent claims. We have reviewed the dependent claims at issue and are satisfied that the claimed subject matter has proper antecedent basis. Regarding the example, we see no need for the independent claims to recite a step of calculating net asset value. Claim 8, for example, does further define the subject matter of independent claim 7 by adding a step to make a net asset value calculation. But to require the independent claim to recite what the dependent claim recites defeats the purpose of permitting Applicants to file dependent claims. Dependent claims are not rendered indefinite for further defining the invention sought to be patented.

Indeed the statute stresses that a dependent claim must add a limitation to those recited in the independent claim. *See* 35 U.S.C. § 112, ¶ 4 (2000) (“[A] claim in dependent form shall contain a reference to a claim previously set forth and then specify *a further limitation of the subject matter claimed.*”) (Emphasis added). Thus, reading an additional limitation from a dependent claim into an

independent claim would not only make that additional limitation superfluous, it might render the dependent claim invalid.

Curtiss-Wright Flow Control Corp. v. Velan Inc., 438 F.3d 1374, 1380 (Fed. Cir. 2006).

The Examiner states that “the preamble is drawn to a method of producing a financial product but the claimed invention fails to accomplish that result” (Answer 8). If we understand this argument correctly, the Examiner would find a claim indefinite where the body of the claim does not yield the intended use or purpose outlined in the preamble of the claim. In that situation, the claim is not per se indefinite. Rather, it may raise a question as to whether the preamble should be given any patentable weight during a patentability determination for the claim as a whole.

“[A] claim preamble has the import that the claim as a whole suggests for it.” *Bell Communications Research, Inc. v. Vitalink Communications Corp.*, 55 F.3d 615, 620, 34 USPQ2d 1816, 1820 (Fed.Cir. 1995). Where a patentee uses the claim preamble to recite structural limitations of his claimed invention, the PTO and courts give effect to that usage. *See id.* ; *Corning Glass Works v. Sumitomo Elec. U.S.A., Inc.*, 868 F.2d 1251, 1257, 9 USPQ2d 1962, 1966 (Fed.Cir. 1989). Conversely, where a patentee defines a structurally complete invention in the claim body and uses the preamble only to state a purpose or intended use for the invention, the preamble is not a claim limitation. *See Bell Communications* , 55 F.3d at 620; *Kropa v. Robie* , 187 F.2d 150, 152, 88 USPQ 478, 481 (CCPA 1951).

The determination of whether preamble recitations are structural limitations or mere statements of purpose or use “can be resolved only on review of the entirety of the patent to gain an understanding of what the inventors actually invented and intended to encompass by the claim.” *Corning Glass Works*, 868 F.2d at 1257. The inquiry involves examination of the entire patent record to determine what invention the patentee intended to define and protect. *See Bell Communications* , 55 F.3d at 621 (looking to patent specification to determine whether claimed invention includes preamble recitations); *In re Paulsen* , 30

F.3d 1475, 1479, 31 USPQ2d 1671, 1674 (Fed.Cir. 1994) (examining “patent as a whole”); *Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA*, 944 F.2d 870, 880, 20 USPQ2d 1045, 1053 (Fed.Cir. 1991) (looking to claims, specification, and drawings); *Gerber Garment Tech., Inc. v. Lectra Sys., Inc.*, 916 F.2d 683, 689, 16 USPQ2d 1436, 1441 (Fed.Cir. 1990) (noting that preamble recitations provided antecedent basis for terms used in body of claim); *Corning Glass Works*, 868 F.2d at 1257 (considering the specification's statement of the problem with the prior art); *Kropa*, 187 F.2d at 152 (noting that preamble sets out distinct relationship among remaining claim elements).

Rowe v. Dror, 112 F.3d 473, 478 (Fed. Cir. 1997).

The Examiner states that the term “substantially” is not defined in the claims. Answer 8. The fact that the term “substantially” exists in a claim does not render that claim per se indefinite. It is a question of claim construction.

Expressions such as “substantially” are used in patent documents when warranted by the nature of the invention, in order to accommodate the minor variations that may be appropriate to secure the invention. Such usage may well satisfy the charge to “particularly point out and distinctly claim” the invention, 35 U.S.C. §112, and indeed may be necessary in order to provide the inventor with the benefit of his invention. In *Andrew Corp. v. Gabriel Elecs. Inc.*, 847 F.2d 819, 821-22, 6 USPQ2d 2010, 2013 (Fed. Cir. 1988) the court explained that usages such as “substantially equal” and “closely approximate” may serve to describe the invention with precision appropriate to the technology and without intruding on the prior art. ... It is well established that when the term “substantially” serves reasonably to describe the subject matter so that its scope would be understood by persons in the field of the invention, and to distinguish the claimed subject matter from the prior art, it is not indefinite. Understanding of this scope may be derived from extrinsic evidence without rendering the claim invalid.

Verve LLC v. Crane Cams Inc., 311 F.3d 1116, 1120 (Fed. Cir. 2002). The broadest reasonable construction of the claim in light of the specification as

it would be interpreted by one of ordinary skill in the art at the time of the invention has not been determined. Therefore, there has been no determination as to whether the scope of a claim would be reasonably ascertainable by those skilled in the art notwithstanding the use of the term “substantially” in the claim. A prima facie case of indefiniteness resting simply on the existence of the claim term “substantially” has not been established.

The Examiner states that certain dependent claims call for “cash” or “cash amount” without explaining whether this cash amount owed or needed. Answer 8. The Examiner also states that claim 12 calls for “record[ing] the number of shares issued in the first financial product” but “because no shares [were] issued as part of the claimed invention, it is thus unclear what shares are recorded” (Answer 9). Again, “[t]he purpose of claims is not to explain the technology or how it works, but to state the legal boundaries of the patent grant.” *S3 Inc. v. nVIDIA Corp.*, 259 F.3d 1364, 1369 (Fed. Cir. 2001).

The Examiner states that certain dependent claims call for “the net asset value of the first fund;” “the net asset value of the first fund, calculated at the close of trading in the second country;” and, “the amount of cash needed to be exchanged.” for which there is “insufficient antecedent basis” in the claims (Answer 9). If we understand the Examiner correctly, the Examiner would necessarily find a claim indefinite where an element lacks of antecedent basis. Whether or not the Examiner’s allegation that certain subject matter in the dependent claims lack antecedent basis is accurate, a lack of antecedent basis is not per se a reason for finding a claim indefinite. “In *Bose Corp. v. JBL, Inc.*, 274 F.3d 1354, 1359 (Fed. Cir. 2001) the court

held that despite the absence of explicit antecedent basis, “[i]f the scope of a claim would be reasonably ascertainable by those skilled in the art, then the claim is not indefinite.”” *Energizer Holdings Inc. v. United States ITC*, 435 F.3d 1366, 1370-71 (Fed. Cir. 2006). Antecedent basis can be present by implication. *See Slimfold Mfg. Co. v. Kinkead Indus., Inc.*, 810 F.2d 1113, 1116 (Fed. Cir. 1987). Since no claim construction analysis has been conducted to determine whether the scope of a claim would be reasonably ascertainable by those skilled in the art, a prima facie case of indefiniteness resting on the allegation that certain subject matter in the dependent claims lack antecedent basis has not been established.

For the foregoing reasons, we will not sustain the rejection under the second paragraph of §112.

The rejection of claims 1-20 under 35 U.S.C. §103(a) as being unpatentable over Gastineau and Strauss.

We will reverse the rejection.

The Examiner takes the position that Gastineau and Strauss taken together disclose the claimed invention. *See Answer 27*. The reason for combining the two is not made entirely clear. The Examiner appears to be taking the position that the claimed invention would have been obvious as being a mere combination of the known funds in a known manner; that is, “[t]he combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results” *KSR*, 550 U.S. at 416. *See Answer 36*.

However, the claimed invention is not simply a matter of combining *per se* the funds/financial products alleged to be disclosed in the cited references. The claimed invention revolves around a certain claimed

condition between two funds/financial products, namely that their creation unit bases are substantially the same. For example, in claim 1, the “shares in the first fund trad[e] in a first country, and the creation unit basket of securities having a creation unit basis that is substantially the same as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country.” The claimed invention does involve two funds/financial products but only under the condition recited. In that regard, the Examiner does not show that the cited references disclose such a condition. Nor does the Examiner explain how one of ordinary skill in the art would arrive at the claimed combination with the condition claimed given the reference disclosures.

Instead, the Examiner discounts the condition as “not further limiting” (Answer 29) with passing references to “intended use/intended result language, passive language, etc.” (Answer 29). (We address below the doctrine of “nonfunctional descriptive material” (Answer 25-26) which the Examiner also raises.) However, the Examiner does not explain why any of these reasons necessarily means we should construe the claim condition as carrying no patentable weight. The limitation is at the heart of the claimed invention. Reliance on “intended use,” for example, to dispense with this essential claim limitation and without explaining why amounts to making a conclusory statement about the obviousness of the claimed subject matter as a whole. “[R]ejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness.” *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006). Because no articulated reasoning with some rational underpinning to support the legal

conclusion of obviousness has been provided, the examiner has not borne the initial burden of establishing a prima facie case of obviousness. *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992); *see also In re Piasecki*, 745 F.2d 1468, 1472 (Fed. Cir. 1984).

We appreciate the Examiner's struggle in determining the subject matter being claimed. The Examiner appears to have taken the view that the claims cover a computer recording information about two particular events. From the Examiner's point of view, the distinction between the information the Appellants are recording and the information recorded by the prior art computers is a distinction based on nonfunctional descriptive material. It is true that nonfunctional descriptive material cannot render nonobvious an invention that would have otherwise been obvious. *In re Ngai*, 367 F.3d 1336, 1339 (Fed. Cir. 2004). *Cf. In re Gulack*, 703 F.2d 1381, 1385 (Fed. Cir. 1983) (when descriptive material is not functionally related to the substrate, the descriptive material will not distinguish the invention from the prior art in terms of patentability). Patentable weight need not be given to descriptive material absent a new and unobvious functional relationship between the descriptive material and the substrate (here the data or database). *See In re Lowry*, 32 F.3d 1579, 1582-83 (Fed. Cir. 1994). *In re Ngai*, 367 F.3d at 1338. *See also, Ex parte Mathias*, 191 Fed.Appx. 959 (CCPA 2006).

However, the question of whether claimed subject matter is directed to nonfunctional descriptive material is a question of claim construction. Here, the question is not whether the prior art would have led one of ordinary skill in the art to record information having content different than that of the information recorded by the prior art computers. The question is

whether the prior art discloses or would have led one of ordinary skill in the art to the events claimed. These events are activities that limit the scope of the claimed subject matter. They necessarily take place prior to the computer recording them. These events are not nonfunctional descriptive material but claim limitations that carry patentable weight.

For the foregoing reason, we find that a prima facie case of obviousness has not been established.

CONCLUSIONS

The provisional rejection of claims 1-12 under the judicially created doctrine of obviousness-type double patenting as being unpatentable over claims 1-12 of copending application 10/001,900 is affirmed.

The rejections of claims 1-20 under 35 U.S.C. §112, second paragraph, and claims 1-20 under 35 U.S.C. §103(a) as being unpatentable over Gastineau and Strauss are reversed.

DECISION

The decision of the Examiner to reject claims 1-20 is affirmed-in-part.

AFFIRMED-IN-PART

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FISH & RICHARDSON PC
P.O. BOX 1022
MINNEAPOLIS MN 55440-1022